

Link to text of bill: http://www.rules.house.gov/110/text/110_hr5818.pdf

"To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs."

PRESS RELEASE:

House Passes Bill Introduced by Congresswoman Waters to Help Communities Hit Hardest by Foreclosure Crisis

May 8, 2008

Washington, DC - The U.S. House of Representatives acted today to help communities hit hardest by the housing foreclosure crisis, passing legislation introduced by Congresswoman Maxine Waters (CA-35), the Chairwoman of the Housing and Community Opportunity Subcommittee.

By a vote of 239-188, the House passed The Neighborhood Stabilization Act (H.R. 5818), which authorizes a \$15 billion federal grant and loan program to help state and local governments purchase, rehabilitate, and resell or rent foreclosed homes.

"To understand the urgent need to enact this legislation, you just need to visit — as I have — communities like Cleveland, Detroit, or the San Bernardino and Stockton metropolitan areas in California, where block after block is dotted by foreclosed properties, many of them suffering from neglect or actual vandalism. These abandoned and foreclosed properties drag down the value of the homes still occupied by working families, contribute to a cascade effect whereby plummeting home prices erode the tax base of state and local governments and harm real estate related industries such as the construction trades," Congresswoman Waters said.

Using well-accepted construction activity multipliers, the National Foreclosure Prevention and Neighborhood Stabilization Task Force calculates that the bill's proposed \$15 billion investment will generate at least \$38 billion in direct and "ripple effect" economic activity nationwide, employ 120,000 people, and restore nearly \$225 million per year in local government real estate tax collections.

The foreclosure crisis, fueled by subprime mortgages, has resulted in significant property revenue losses for states, counties and local governments. Because many state and local governments must balance their budgets each year, 20 states have already had to make or are proposing budget cuts due largely to revenue losses. These budget cuts further harm the economy and deepen the recession.

Despite severe fiscal constraints, many states and cities are already dedicating their own shrinking tax revenues to purchase foreclosed properties and stabilize neighborhoods as Mayor Menino of Boston, Governor O'Malley of Maryland, and others testified before the House Financial Services Committee on April 10th. However, states and cities are overwhelmed by the scale of the housing foreclosure problem and unable to adequately respond without federal assistance.

For this reason, the National Governors Association (NGA) has stated that a "one-time federal funding commitment to support the acquisition and rehabilitation for foreclosed properties is vital to stabilize home values and protect neighborhoods in trouble now."

In developing legislation, Congresswoman Waters focused on finding a solution that reflects a sound approach to providing this critical fiscal relief to states and localities. “This bill provides effective and meaningful help that is targeted, timely and temporary,” she emphasized. “First, this bill targets assistance where it is most needed. The \$7.5 billion in grants and \$7.5 billion in loans would be allocated to states based on the number of foreclosures and the number of subprime loans 90 days delinquent and then adjusted to account for median home price. Second, the bill put funds “on the street” quickly enough to stimulate the economy.”

Instead of expecting the U.S. Department of Housing and Urban Development (HUD) to process plans from 1200 jurisdictions, the legislation allocates funding to the states and the nation’s largest 100 cities, largest 50 counties, and cities over 50,000 with especially high foreclosure rates. (The areas of states outside of those cities and counties would be addressed in the states’ plans.) “These governments have enough jurisdiction and capacity to address the crisis comprehensively, and we are allowing them flexibility so they can best use resources to meet their local needs,” Congresswoman Waters said.

The bill would get funds out to communities quickly but not result in permanent expenditures, by requiring fund obligation to begin within six months of enactment, be fully obligated within a year and fully spent within 2 years of enactment.

The NGA is joined in its support for the stimulus contained in H.R 5818 by the U.S. Conference of Mayors, National Association of Counties, National Association of Local Housing Finance Agencies, and the National Council of State Housing Agencies.

H.R. 5818 is also endorsed by a wide range of civil rights, community development, labor, and low income housing groups, including the AFL-CIO, AFSCME, Catholic Charities, Habitat for Humanity, the NAACP, the National Urban League, the National Low Income Housing Coalition, and 17 national organizations comprising the National Foreclosure Prevention and Neighborhood Stabilization Task Force